

m/21/004

August 28, 2000

Mr. Carl Hartman  
Dixie Cable Services  
1560 West 2481 South  
Woods Cross, UT 84087

Re: Hecla Mining Company and Dixie Cable – Purchase and Sale Agreement

Dear Mr. Hartman:

As a matter of introduction, I have taken over responsibility from Dave Suhr as the Hecla Mining Company representative for the Escalante Site. Dave's services were requested for other corporate business, and these new responsibilities do not allow sufficient time to complete the work associated with this Site.

This letter is in regard to the Escalante Mine purchase and sale agreement between Hecla Mining Company and Dixie Cable Services. The purpose of this letter is to address some unresolved issues pertaining to the agreement.

To give you some recent background information, representatives from the Utah Division of Oil, Gas, and Mining (UDOGM) met with personnel from Hecla Mining Company at the Escalante Site on July 19, 2000. The purpose of the visit was to review the current status of on-site activities and discuss those items that are still outstanding. In addition to discussing the various items pertaining to Hecla's site remediation efforts, issues were discussed that directly involve Dixie Cable. Individuals present at the site visit included:

Lynn Kunzler – Senior Reclamation Specialist, UDOGM  
Jared Sorensen – Intern, UDOGM  
Dave Suhr – Senior Project Engineer, Hecla Mining Company  
Gary Nelson – Senior Metallurgical Engineer, Hecla Mining Company

A letter dated August 1, 2000, written by D. Wayne Hedberg of the UDOGM, was received as follow-up information and summarized the Site visit and the discussion issues. The letter also included attachments regarding correspondence provided to him by both Lynn Kunzler (UDOGM) and Ed Ginouves of the BLM. This correspondence is attached for your benefit and review.

As a matter of record, significant progress has been made pertaining to the remediation efforts of your company as outlined in the agreement. Dixie Cable has completed the wash down of the mill, painted its interior, and treated the water associated with this cleanup effort. Some progress has also been made with the material removal within the mill thickener. However, there are still a few items that the UDOGM specifically noted that require attention. These items reflect directly on the release of the reclamation bond as it pertains to the Site.

In the summarization letter provided by Mr. Hedberg, the items that follow were specifically outlined for completion and fall within the responsibility of Dixie Cable Services:





- 1) The UDOGM requests the completion of the thickener tank interior clean up. As part of the sales agreement, Dixie Cable agreed to take responsibility for this task. The UDOGM would like this taken care in a reasonable timeframe. Since you have already made considerable progress in the tank clean up efforts, the remaining material should not take significant effort to complete.
- 2) Dixie Cable has requested the reclaim pocket feeder (and associated area) be transferred to their responsibility for future internal use. The UDOGM has verbally agreed to this request, and has simply requested that you provide them with written documentation stating such. As of the July 19 meeting, the UDOGM had not received this written confirmation. Please respond to the UDOGM regarding this item at your earliest convenience.
- 3) Based on the Mill visit and brief discussions with Mr. Jim Larsen (water treatment operator), the UDOGM is now concerned about the future use and related permit associated with the Mill Site. While Dixie Cable originally submitted a request for a land use change to greenhouse facilities, there is now a concern that the site may still be used for mining/milling activities. In the letter to Hecla regarding the Site visit, the UDOGM made the following assertions.

"The tour and discussion of the mill building and related facilities have raised a question as to whether they will be used for greenhouse facilities (as the original Request for a land use change indicates), or whether they will be continue to be used for mining/milling related activities. The proposed land use change needs to be clarified, especially if it is now different from the original proposal (as submitted by Southern Utah Tire). If Dixie Cable intends to continue with mining/milling activities, this activity will need to be appropriately permitted with the Division (i.e., either transfer Hecla's permit or by filing a new Notice of Intention). Please contact Dixie Cable and have them provide us with an updated post-mining land use change on their intended use of the remaining facilities that will not be reclaimed (if it is different from the Southern Utah Tire proposal)."

Please respond to the UDOGM as to your future intentions regarding the facilities in question.

- 4) The UDOGM is also concerned about the preservation of the historic headframe located above the plugged shaft. They wanted us to remind you of its historical significance and desire to have it preserved. They would like to know your position on this subject. Note: it is my understanding that the preservation response that they are seeking is to restrict access and is accomplished by constructing a fence around the headframe area.

We have been in discussions on these various issues now for approximately 18 months. Based on the details provided in the attached information, we now know from the UDOGM what needs and remains to be done at the Site. Hecla requests that Dixie Cable also respond to us in writing regarding the matters addressed in this letter and the letter from UDOGM dated August 1, 2000 (copy attached), informing us as to when such matters will be completed.

We would certainly appreciate Dixie Cable's prompt attention and response to these specific items outlined above. I have enclosed a personal business card for your convenience. If you



have any questions, please do not hesitate to contact me at your convenience. I look forward to working with you to complete the remaining tasks associated with the Site.

Thank you for your assistance in resolving these issues.

Very truly yours,



Gary L. Nelson  
Hecla Mining Company

Attachments

cc: John Gaibavy, Esq.  
Gary Gamble  
Lynn Kunzler (UDOGM)  
D. Wayne Hedberg (UDOGM)

**RECEIVED**

AUG 31 2000

DIVISION OF  
OIL, GAS AND MINING



State of Utah  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL, GAS AND MINING

Michael O. Leavitt  
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1594 West North Temple, Suite 1210

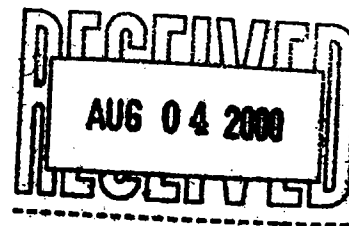
PO Box 145801

Salt Lake City, Utah 84114-5801

801-538-5340

801-359-3940 (Fax)

801-538-7223 (TDD)



August 1, 2000

Gary Nelson  
Hecla Mining Company  
Box C-8000  
6500 Mineral Drive  
Coeur D'Alene, Idaho 83814

Dear Mr. Nelson:

RE: Joint Site Inspection, Hecla Mining Company, Escalante Silver Mine, M/021/004, Iron County, Utah

This letter is a follow up to the joint inspection performed by Hecla personnel and Division staff on July 19, 2000, at the Escalante Silver Mine. The inspection was performed to determine what needs to be completed to finalize the proposed post mining land use change and to discuss Hecla's remaining reclamation requirements at the Escalante Silver Mine. A copy of the inspection memo is enclosed.

The property title issue is still a significant holdup to our approval of the post mining land use change. Hecla has recently indicated that the area of the mill and associated facilities that would be left for the proposed post mining land use may not be part of the property ownership dispute. Hecla will need to document this and provide the Division with its findings.

It was agreed that the waste rock pile would be regraded to a maximum slope of 3h:1v. The area around the pile that would be impacted from this regrading effort would have the soil salvaged prior to regrading. The soil would then be respread on the recontoured slopes. It was also agreed that the regraded pile would be amended prior to seeding with 5 tons/acre of composted manure. Enclosed is a GPS generated drawing of the current footprint of the waste rock pile for your use in planning this work.

The tour and discussion of the mill building and related facilities have raised a question as to whether they will be used for greenhouse facilities (as the original request for a land use change indicates), or whether they will be continue to be used for mining/milling related activities. The proposed land use change needs to be clarified, especially if it is now different from the original proposal (as submitted by Southern Utah Tire). If Dixie Cable intends to continue with mining/milling activities, this activity will need to be appropriately permitted with the Division (i.e., either transfer Hecla's permit or by filing a new Notice of Intention). Please contact Dixie Cable and have them



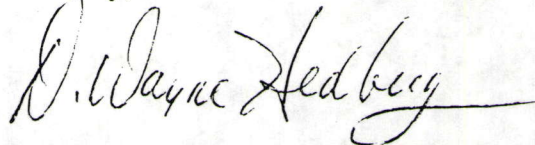
Page 2  
Gary Nelson  
M/021/004  
August 1, 2000

provide us with an updated post-mining land use change on their intended use of the remaining facilities that will not be reclaimed (if it is different from the Southern Utah Tire proposal).

The Tailing Impoundment area was inspected and appears to meet the Division's reclamation success standards. However, because this is federal property, we will need to have BLM written concurrence before releasing this area. We have contacted the BLM and have received a written response (copy enclosed) which grants their conditional acceptance, if Hecla agrees to provide a temporary commitment for continued monitoring and spraying of the impoundment should noxious knapweed reoccur in the near term.

Thank you for your time and patience in meeting with the Division staff to resolve these issues. If you have any questions, please don't hesitate to call me or Lynn Kunzler of my staff at (801) 538-5286 or 538-5310, respectively.

Sincerely,



D. Wayne Hedberg  
Permit Supervisor  
Minerals Regulatory Program

jb

Enclosures: 7/12/2000 meeting memo, 7/19/2000 inspection memo,  
GPS drawing, BLM conditional release letter

cc: Ed Ginouves, BLM  
Pam Grubaugh-Littig, DOGM  
Lynn Kunzler, DOGM

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State of Utah  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL, GAS AND MINING

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July 28, 2000

TO: Minerals File

FROM: Lynn Kunzler, Senior Reclamation Specialist *LK*

RE: Site Inspection, Helca Mining Company, Escalante Silver Mine, M/021/004, Iron County, Utah

Date of Inspection: July 19, 2000

Time of Inspection: 8:30 p.m.

Conditions: Clear and Warm

Participants: Dave Suhr and Gary Nelson, Hecla; Lynn Kunzler and Jared Sorensen, DOGM

Purpose of Inspection: To evaluate site conditions.

The inspection began by looking at the waste rock pile. A GPS was used to determine the existing footprint of the pile (drawing attached) which was found to be 2.5 acres and approximately 55 feet high. Current slopes on the pile are 5h:1v to the east of the apex and 2h:1v to the west of the apex. It was agreed that Hecla would regrade this pile to a maximum slope of 3h:1v. Soil material would be salvaged from the toe of the pile prior to regrading and then applied to the regraded surface. An application of 5 ton per acre of composted manure or biosolids would then be applied and the pile would be seeded with the approved seed mix.

We then looked at the mill building and associated facilities. The thickener tank still needs to be cleaned out. The security guard indicated that the mill building had been washed down (inside) and the wash water had been processed through a small resin adsorption system to remove the metals. He also indicated that Dixie Cable is considering keeping this system and treating wash waters and ores from other operations. He also indicated that some of the milling equipment inside the mill building would probably be kept and used.

We then discussed the land trade issue. Mr. Suhr indicated that he thought that only the southwest quarter of the section was involved in the dispute, and the eastern half of the section (which is where the mill facilities are) had clear title. He stated that he would research this and provide us with the appropriate documentation.

The inspection ended with a visit to the reclaimed tailing pond. This is the third growing season since reclamation was completed. The vegetation ground cover was estimated using 10 point-transects. The results showed 36% ground cover, including foxtail, indian ricegrass, crested wheatgrass, globemallow, winterfat, sagebrush and rabbitbrush. This meets the 70% of surrounding vegetation cover standard. The knapweed that had been evident in this area during past inspections was not observed. Mr. Suhr indicated that they had been spot spraying to control this noxious weed. Since this is BLM property, I told Mr. Suhr that we will need to get their concurrence prior to releasing this area. I also



Site Inspection

M/021/004

July 28, 2000

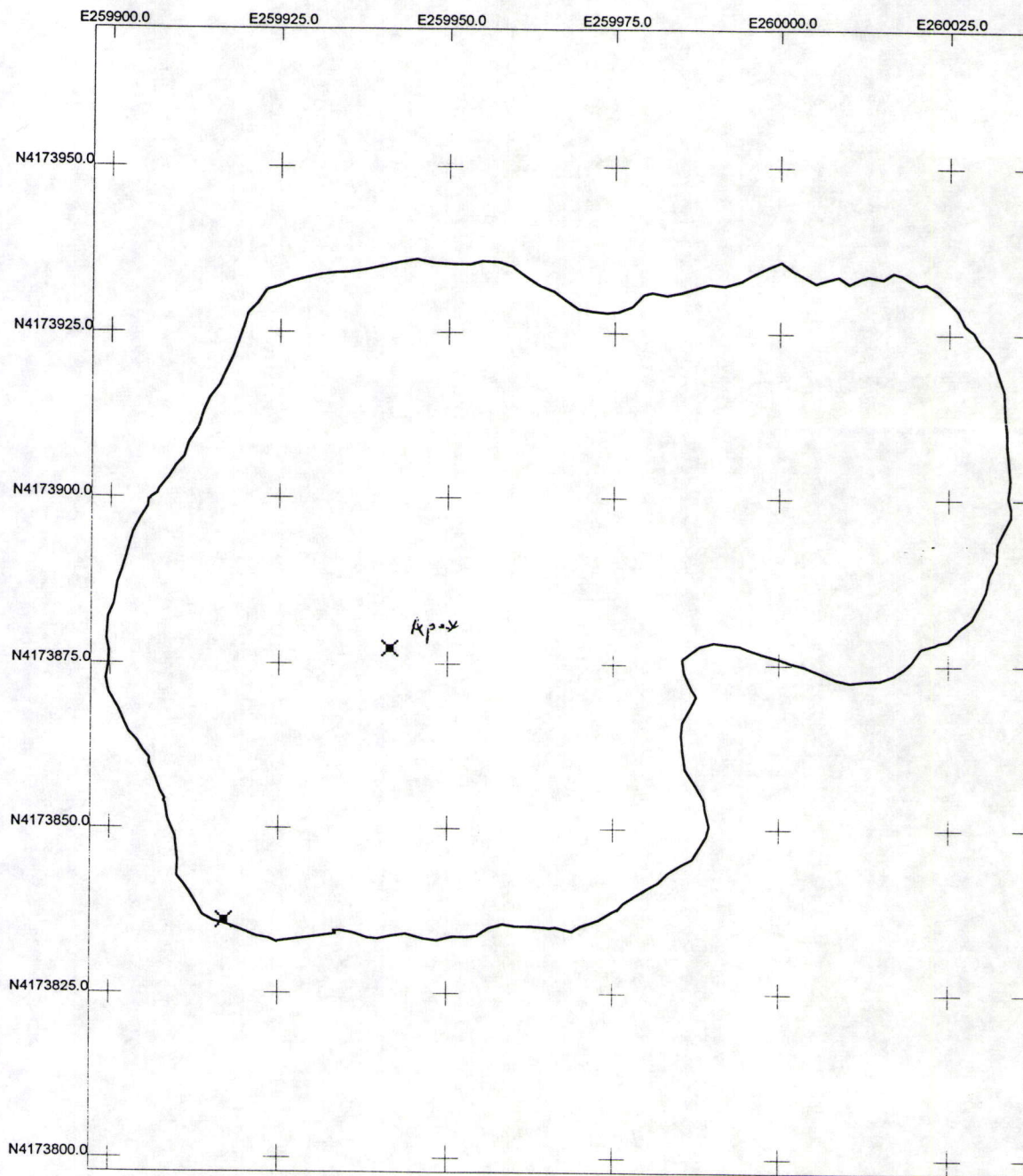
Page 2

told him we would find out what the BLM's position on the existing fence is (whether it would need to be replaced with a 4-strand barbed wire fence as stated in the plan or whether the existing net (field) fence could remain. After the inspection, Mr. Ed Ginouves of the BLM was contacted. He stated that the BLM was satisfied with leaving the existing fence and concurred that revegetation efforts have been successful. However, he stated that the BLM was concerned with regards to the knapweed issue and was leery to release the reclamation bond without being assured that if it returned within the next year or two that Hecla would continue its control efforts.

Several photos were taken of the site.

cc: Gary Nelson, Hecla  
m21-004.ins



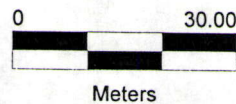


Waste Rock Pile (2.5 acres)

Universal Transverse Mercator  
12 North  
WGS 1984



Scale 1:1000



r071914a.cor  
07/28/2000  
Pathfinder Office







State of Utah  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL, GAS AND MINING

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July 17, 2000

TO: Minerals File

FROM: D. Wayne Hedberg, Permit Supervisor

RE: Documentation of July 12, 2000 Meeting, Reclamation Requirements and Post Mining Land Use Change Discussions, Hecla Mining Company, Escalante Silver Mine, M/021/004, Iron County, Utah

Date of Meeting: July 12, 2000

Location: Division Offices

Time of Meeting: 1:00 - 2:35 p.m.

Participants: David Suhr, Gary Gamble - Hecla Mining Company; Mary Ann Wright, Wayne Hedberg, Lynn Kunzler and Doug Jensen - DOGM

**Purpose of Meeting:** The purpose of this meeting was to discuss possible resolution and solutions to the impasse that has become apparent between Hecla and DOGM regarding remaining reclamation responsibilities and the current status of the post mining Land Use Change proposal from Dixie Cable.

On July 12, 2000, a meeting was held between the representatives identified above to discuss the present stalemate between DOGM and Hecla over remaining reclamation responsibilities and the pending post mining land use change request from Dixie Cable. The key points/issues discussed and the understanding and/or commitment reached on each issue is summarized as follows:

- **Condition #1 - Other required permits/clearances**  
Hecla agreed to discuss this matter further with Dixie Cable to try and obtain the requested permitting information to the extent possible.
- **Condition #2 - Title & property ownership dispute**  
Hecla has not received any feedback from the BLM to date regarding the disputed property. However, Mr. Suhr indicated that the section of property under the ownership dispute may not involve any land that currently has structures or facilities located on it. Hecla will investigate this matter further to clarify and provide the Division with updated information.
- **Condition #3 - Updated surface map of disturbed areas under Hecla's control**  
We briefly discussed the map (Figure 1) provided with Hecla's May 22, 2000, response. It does not show disturbed area boundaries per se, although the property ownership boundaries were outlined. Disturbed acreage figures were not shown on Figure 1.



- **Concern #1 - *Waste rock pile reclamation***  
Hecla and DOGM staff estimated that the remaining waste material in the pile amounts to approximately 2000-2500 cubic yards and probably affects 1.5 to 2.0 acres. Discussions involved several possible reclamation scenarios. It was agreed that Hecla would perform reclamation of the waste rock pile, but the final proposal would be determined following an onsite inspection with DOGM personnel.
- **Concern #2 - *Reclamation of the ore stockpile area, the crusher pocket and pocket feeder***  
Hecla indicated that they were not familiar with Dixie Cable's plans for these features, but that Dixie Cable had assumed responsibility for same with the sale of the property. We explained that Hecla's reclamation responsibility under the DOGM permit did not automatically transfer to Dixie Cable by signing a sales contract. Because we have not approved of the proposed post-mining land use change or a permit transfer, the reclamation obligation for features that do not have an approved post-mining land use remain under Hecla's responsibility. We requested that Hecla contact Dixie Cable representatives for clarification as to their intentions. A revision to the original land use change application will be necessary if Dixie Cable proposes to do something different from the original proposal. If the remaining facilities will be used for continued mining or milling related activities, then a permit transfer (or a new permit) and a reclamation bond may be required from Dixie Cable..
- **Concern #3 - *Historic mine headframe***  
Mary Ann Wright raised the question regarding safeguards for preserving the historic headframe which remains over the plugged shaft at the mine site. Hecla indicated that they were aware of this feature, but were not sure if Dixie Cable was familiar with its significance or if they had plans to preserve its historical significance. Hecla agreed to contact Dixie Cable for their position.

We ended the meeting all agreeing that these discussions were very helpful and that we would arrange an onsite meeting with Hecla personnel within the next 7- 10 days.

jb  
cc: David Suhr, HMC  
Gary Gamble, HMC  
Mary Ann Wright  
Doug Jensen  
Lynn Kunzler  
o:\hecla\meeting.memo





United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Cedar City Field Office  
176 East DL Sargent Drive  
Cedar City, Utah 84720

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JUL 27 2000

DIVISION OF  
OIL, GAS AND MINING

m/21/004  
Lynn

In Reply Refer To:  
UT-040  
3809: UTU-67116

July 25, 2000

Mr. Lynn Kunzler, Reclamation Specialist  
State of Utah, Department of Natural Resources  
Division of Oil, Gas, and Minerals  
1594 West North Temple Drive, Suite 1210  
P.O. Box 145801  
Salt Lake City, UT 84114-5801

Dear Mr. Kunzler:

This letter is in regard to the mill tailings impoundment associated with the Escalante Silver Mine, Division of Oil, Gas, and Mining (DOGM) File No. M/021/004, Iron County, Utah. The mill tailings impoundment area is located entirely on BLM land managed through this office. You had contacted me last week by telephone and requested that this office inspect the tailings area and report our findings on the suitability of this area for reclamation release.

This office is satisfied that the reclamation of the fenced tailings impoundment area is adequate; however, there is a noxious weed control issue which we would like to discuss with DOGM and the permit holder, Hecla Mining Company, before we recommend final reclamation release for this area.

As you are aware, two years ago an outbreak of a noxious weed, diffuse knapweed, was found in and adjacent to the impoundment area. The permittee was immediately contacted and a control effort initiated. After two years of herbicide spraying of the affected area, no plants have been found in this area. While this is encouraging, we fear that this may not be sufficient evidence that the problem is adequately resolved. As you know, the seeds from knapweed maintain viability for many years. If viable seeds are still present in the area, we could have another outbreak next year if seed germination conditions are more favorable than this year.

We acknowledge that it is not reasonable to perpetually delay reclamation release until the weed problem is resolved. However, every additional year that the area can be inspected for knapweed seedlings and timely sprayed before they mature reduces the risk of future serious outbreaks by reducing the viable seed stock and allowing competing desirable species to become even better established. We would like to negotiate some means to inspect the area and, if necessary, spray the area annually until all the other remaining aspects of permittee's reclamation responsibility in the overall permit area are fulfilled. If such an arrangement could be made, this office will immediately recommend release of the impoundment area from all other reclamation liabilities.

I can be reached by mail at the letterhead address, by phone at (435) 865-3040, and by email at [eginouve@ut.blm.gov](mailto:eginouve@ut.blm.gov).

Sincerely,

Ed Ginouves  
Mining Engineer

Scott Jensen @ Great Basin

xc: Mr. Gary Nelson, Idle Properties Manager, Hecla Mining Company, 6500 Mineral Drive, Coeur d'Alene, Idaho 83814